



Mary Taylor, CPA  
Auditor of State

**City of Campbell**  
**Mahoning County, Ohio**

**Financial Accounting Report**

**Local Government Services Section**

**City of Campbell, Mahoning County  
Financial Accounting Report**

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**CERTIFICATION**

In compliance with the requirements set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Campbell was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the City of Campbell; John Dill, Mayor of the City of Campbell and William VanSuch, Council President.

*Mary Taylor*

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Auditor of State

June 22, 2007

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy and legality of the accounts, records, files and reports of the municipality. This report shall state whether Chapter 117 of the Revised Code and the requirements of the Auditor of State have been compiled with..."

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City personnel and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the City of Campbell. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

# City of Campbell – Mahoning County

## Report on Accounting Methods

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### Governance Overview

The City of Campbell (the “City”) is located in Mahoning County. The City is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council form of government, was adopted November 3, 1970. Legislative authority is vested in a five-member Council. Council members are elected for a two year non-staggered term. The Mayor is the chief executive and administrative officer who is also elected for a two-year term.

The Council is the legislative authority of the City and consists of an elected President of Council and four elected members who serve specific wards for a two year term. Council appoints a Clerk of Council who attends all Council meetings and keeps a record of all proceedings, rules, bylaws and legislation. The Council has the authority to prescribe by ordinance the manner in which any power of the City shall be exercised.

The Mayor supervises the administration of the City and has the right to make recommendations to Council, to introduce resolutions and ordinances, and has the power to appoint various City officials. If the office of the Mayor becomes vacant, the President of Council shall fill the vacancy until a successor is elected. The Mayor has the power to veto ordinances or resolutions.

The Director of Finance serves as the chief fiscal officer of the City. The Director of Finance serves the Mayor and Council as financial adviser in connection with municipal affairs and keeps the financial records of the municipality. The Director of Finance is responsible for collection of all taxes and assessments and shall disburse the same as may be required by ordinance or resolution and by law. The Director of Finance maintains the general accounting system for the municipality and for each of its officers, departments and agencies. The Director of Finance keeps the books for and exercises financial budgetary control over each office, department and agency.

The Director of Administration is appointed by the Mayor and is responsible to the Mayor for the general supervision and proper operation of the Police and Fire departments, the department of Street and Parks, and the Sewage Treatment Plant. He serves as the Manager of the department of Water so long as the City maintains a water utility. He serves as Purchasing Agent for all departments of the City and is a member of the Board of Control. He performs such other administrative duties as may be specified in the Charter or required of him by the Mayor.

In case of temporary absence of the Director of Administration, his powers and duties shall be assigned to the Director of Finance. The Director of Administration may be removed at the discretion of the Mayor. The decision of the Mayor in regard to removal shall be final. The Mayor and Council have elected not to fill the position of Director of Administration on a temporary basis, due to the City’s financial situation and fiscal emergency. By Charter, the Director of Finance assumes the responsibilities of the Director of Administration.

The following departments are also established by the City Charter:

Police Department

Fire Department

Department of Streets and Parks

Department of Sewage Treatment

Department of Water

Health Department and Board of Health

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Governance Overview

(Continued)

On June 10, 2004, the City was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The director of the State office of Budget and Management or a designee;
2. The Mayor of the City or a designee;
3. The President of City Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters who are also residents of the City

The powers, duties and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances and bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the City;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the City;
4. Review, revise and approve determinations and certifications affecting the City made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of Senate on the progress of the City.

This Commission adopted a financial recovery plan on December 16, 2004. By State statute, the City must operate within the provisions of the recovery plan.

The Commission will continue in existence until the Auditor of State or the Commission itself determines that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The City Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse".

Once these requirements are satisfied, the Commission will be terminated.

# City of Campbell – Mahoning County

## Report on Accounting Methods

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### Budgetary System

#### Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and the type of financial resources that shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted by ordinance, for all funds other than agency funds, and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities and major objects of expenditures. The process should encompass current operations and maintenance for the various city departments, programs offered to its residents, capital acquisition and replacement and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

#### Statutory Requirements

The budgetary process for the City is prescribed in Chapter 5705 of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance.

The Tax Budget: The Mahoning County Budget Commission has waived the requirement to file a tax budget; however, the County Budget Commission requires a revenue estimate which includes levy information for all funds to be submitted to the County Auditor for the succeeding year. There is no deadline for submission of the revenue estimate. The County Budget Commission obtains levy information from the County records of levy information on file in the County Auditor's Office and the County Board of Elections if a new levy is passed within the last year. The County Budget Commission submits property tax rates and amounts to the City in September. Before October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The County Budget Commission issues an official certificate of estimated resources on or about September 1, based on the revenue estimate submitted by the City and other information available to the Budget Commission. About January 1, the Director of Finance certifies the actual year end balances for all City funds to the budget commission. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Director of Finance determines that the revenue to be collected by the city will be greater than or less than the amount included in the official certificate.

Appropriations Ordinance: On or about January 1, an annual appropriation ordinance must be enacted by city council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the city until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Any revisions that alter the appropriations at the level adopted by Council must be approved by Council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

# City of Campbell – Mahoning County

## Report on Accounting Methods

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### Budgetary System

(Continued)

No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

### Administrative Code Requirements

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code as department, personal services and other. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in Section 5705.38 of the Revised Code.

### Charter Requirements

Article III, Section 3.03 of the City Charter requires that the Mayor be responsible for preparation of a schedule of anticipated expenditures for the next succeeding fiscal year to be presented annually to Council by June 15. He shall advise Council as to the financial condition and needs of the City, including necessary appropriation measures.

Article IV, Section 4.03 of the City Charter requires the Director of Finance to compile a schedule of anticipated income for the next succeeding year and submit such schedule to the Mayor and Council by May 15 of each year. He shall assist the Mayor in the preparation of the budget.

### City's Budgetary Process

The Mahoning County Budget Commission has waived the requirement to file a budget. The County Budget Commission submits property tax rates and amounts to the City in September. Council passes a resolution accepting the rates and amounts as determined by the County Budget Commission and certifies the resolution to the County Budget Commission by October 1.

In December, the Director of Finance prepares and submits a revenue estimate for all funds for the Budget Commission to issue an Official Certificate of Estimated Resources for the next year. The County does not provide the City with an Official Amended Certificate of Estimated Resources. Once the City submits the Certificate of the Total Amount From All Sources Available For Expenditures and Balances (Certificate of Year End Balances), the County will issue an Amended Certificate of Estimated Resources. The Certificate



## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Budgetary System

(Continued)

of the Total Amount From All Sources Available For Expenditures and Balances for 2006, which includes the December 31, 2005 carryover fund balances, was submitted to the County Auditor's office on August 2, 2006. The City did not receive any Amended Certificate of Estimated Resources for 2006 from the County.

The Director of Finance monitors estimated and actual revenues on a monthly basis. This includes determining if revenues are received within the time period and in the amounts anticipated.

The Director of Finance, with input from department heads and guidance from the Mayor, prepares the annual appropriation measure in November for the next year. The Mayor presents it to Council. A temporary appropriation ordinance for all funds for 2006 was adopted by Council on December 30, 2005. Permanent appropriations for 2006 were adopted by Council on March 22, 2006. Council establishes the legal level of control at the fund, department, and major object level for all funds. Any increase or decrease in appropriations at the major level adopted by Council must be approved by Council.

No appropriation measure for 2004, 2005, and 2006 was filed with the County Auditor. The City did not receive a certificate that the total appropriations from each fund did not exceed the official or amended certificate.

All appropriation changes are entered into the City's accounting system by the Head Account Clerk within a few days of approval of Council. Changes to the appropriations within the department and object level do not require Council action are given to the Head Account Clerk by the Director of Finance for posting.

The Director of Finance monitors monthly expenditures and encumbrances and appropriations. For all funds that have expenditures exceeding appropriations or appropriations exceeding estimated revenues, the Director of Finance discusses the situation with the Mayor. If any fund has a negative variance at a line item within the object level, the Director of Finance moves appropriations within that department and object level to eliminate the variance. If the overall variance can not be eliminated, it is also discussed with the Mayor and an amendment is submitted to Council for approval. There is no documentation to support these discussions.

#### Auditor of State Comments

- The City Charter requires that the Mayor be responsible for preparation of a schedule of anticipated expenditures for the next succeeding fiscal year to be presented annually to Council by June 15. He is to advise Council as to the financial condition and needs of the City, including necessary appropriation measures. The Mayor does not comply with the Charter requirement. The Director of Finance determines appropriations.
- The City Charter requires the Director of Finance to compile a schedule of anticipated income for the next succeeding year and submit it to the Mayor and Council by May 15<sup>th</sup> of each year. He shall assist the Mayor in the preparation of the budget. The Director of Finance does not comply with the Charter requirement. The Director of Finance does not complete a schedule of anticipated income and submit it to the Mayor and Council by May 15.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Budgetary System

(Continued)

- For 2006 the total amount available from all sources which is available for expenditures and the balances existing at the end of the preceding year were not certified to the County Auditor until August 2006. The Director of Finance should certify to the County Budget Commission the actual unencumbered fund balances early in January of each year.
- The City utilized a revenue estimate prepared by the Director of Finance for estimated resources for 2005 and 2006. The City should have received an Official Certificate of Estimated Resources from the County Auditor's office.
- Appropriations are not in effect until the County Auditor certifies the total appropriations from each fund do not exceed the Official or Amended Certificate of Estimated Resources. Appropriations are approved by Council; however they were not submitted/certified to the County Auditor.

# City of Campbell – Mahoning County

## Report on Accounting Methods

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### Chart of Fund and Account Codes

#### Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

#### Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve for budget stabilization, payment of claims under a self-insurance program, and the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

#### Methods Used by the City

The City establishes fund by ordinance. The Director of Finance assigns each fund a number that reflects its fund type classification and uses account codes that classify and summarize receipt and disbursement transactions according to management needs and annual reporting purposes.

Account codes are assigned by the Director of Finance based on a chart of accounts and are entered into the computer by the Account Clerk. The current fund structure includes: 100 – General; 200s – Special Revenue; 300s – Debt Service; 400s - Capital Projects; 500s - Enterprise; 600s – Trust; 700s – Agency. All funds for the Campbell Municipal Court are classified as agency funds. Revenue and expenditure codes do not allow transactions to be summarized by major revenue source or expenditure programs. The City has no written guidelines for assigning accounts for revenues and expenditures.

#### Auditor of State Comments

- The City does not have a document that describes its chart of accounts. The City should develop a document that explains the account code structure and the meaning of the various dimensions used in the account codes.
- Revenue and expenditure codes do not allow transactions to be summarized by major revenue source or expenditure programs. The revenue and expenditure account codes should be updated in order to capture revenues and expenditures by major revenue source or expenditure program.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Accounting Ledgers

##### Description of Effective Accounting Ledgers

The accounting ledgers of the City should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

##### Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(C) (1) of the Ohio Administrative Code states that all local public offices should integrate their budgetary accounts into their financial accounting system at the legal level of control or lower. The Accounting system should provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Director of Finance’s office. The cash journal presents receipts deposited to and warrants drawn against the City treasury and the funds to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Receipt Ledger – The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

Appropriation Ledger – The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the City, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Accounting Ledgers

(Continued)

#### Methods Used by the City

The City uses Software Solutions, Incorporated, a fund accounting software package to maintain its accounting records. The software incorporates estimated revenues and appropriations by fund and account. The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipts, expenditures, and encumbrances are accumulated at the individual account level. The software provides month and year-to-date information and detailed and summary information for receipts and expenditures. Software Solutions also provides software for water and sewer billing and collections.

The Computer Operator prepares daily, monthly, and annual backup tapes for the Finance Department and stores them in a filing cabinet. This includes information of all financial records and transactions, purchase orders, payroll and utilities. The daily tapes are reused every two to three days and the monthly tapes are reused after each month is backed up. There are no other backup tapes maintained by the City for any of the other departments. The City does not have any off site storage.

The City does not have a disaster recovery plan.

#### Auditor of State Comments

- The City does not have written month or year-end closing procedures. These procedures should be documented and maintained in the Finance Department, and should include month-end and year-end distribution of reports.
- The City does not maintain backup tapes in a fireproof safe and does not have offsite backup for its computer files. The City should store its back up computer tapes in a fireproof safe or look into securing offsite storage.
- The City does not have disaster recovery plan. The City should develop and implement a disaster recovery plan.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

##### Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent identification and recording of each receipt. Receipts should be promptly recorded, safeguarded, and deposited. The receipt, or pay-in-order form, should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the entity and reflect the date received, the payer, amount, the purpose, or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. All receipts or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, deposit of monies, posting of receipts, and reconciliation of bank accounts.

##### Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 1901.026, Revised Code, provides that the operating costs of a municipal court that has territorial jurisdiction that extends beyond the corporate limits of the municipal corporation in which the court is located shall be apportioned pursuant to this section among all of the municipal corporations and townships that are within the territory of the court. Each municipal corporation and each township within the territory shall be assigned a proportionate share of the current operating costs of the municipal court that is equal to the percentage of the total criminal and civil caseload of the municipal court that arose in that municipal corporation or township. Each municipal corporation and each township is liable for its assigned proportionate share of the current operating costs of the court.

##### City Processing of Revenue Activity

###### Department of Finance:

The Finance Department receives receipts through the mail, from wire transfers and from individuals. The Mayor sorts the mail into the mail slots for the various departments. The Finance Department mail is sorted by the Central Cashier daily and sent to the appropriate section within the Finance Department. In the absence of the Central Cashier, the Head Account Clerk or Utility Account Clerk performs this function. The Central Cashier opens the mail and date stamps all finance department correspondence and invoices. All remittances of wire transfer notices and routine checks are given to either the Head Account Clerk or the Director of Finance for coding. All non-routine checks and wire transfers are given to the Director of Finance for coding. The City does not use receipt books or pay-ins. The System generates an electronic receipt with every entry.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

Payments from individuals include fees, and payments for water, sewer, and garbage bills. The only exceptions are for the Court and money confiscated by the Police Department. When the Central Cashier is not available, the Head Account Clerk or the Utility Account Clerk will attend to the individual making a payment to the Finance Department. The Central Cashier receives a remittance form and payment and enters the payment into the computer system. The computer generates a receipt on two part “NCR” paper. The white original is given to customer if the customer is present and requests it; otherwise, it is attached to the remittance form. For utility bill payments, the white original is thrown out. The yellow copy is retained on spooled rolls in a box in the Finance Department for external audit and tracking purposes if it is necessary to trace individual transactions.

The Court and the Police Department remit money to the Finance Department on a monthly basis. Around the middle of the month, the Clerk of Courts forwards a report for the criminal division and a report for the civil division activity for the previous month. These reports summarize monthly receipts and disbursements. Along with the reports are several checks, one for each fund of remittance (general fund, court computer fund, court legal research fund, indigent alcohol and treatment fund).

The Court disburses moneys to the Police Department for the Police Department’s share of any monies collected for the two separate police special funds on the City’s books. The Law Enforcement Trust Fund has been established to handle confiscated property and all fines from drug law violations to be used solely for drug law enforcement purposes. The Law Enforcement Trust Fund 2 (Enforcement and Education) has been established to account for court fines used to pay costs incurred in educating the public about the dangers of and enforcing the laws against operating a motor vehicle while under the influence of alcohol.

The Police Chief brings the checks from the Court and any seized cash released by the Court along with a cover letter to the Finance Department when there are amounts to deposit. The cover letter identifies the individual, case, amount and the fund to which the amounts are to be credited. The Finance Director enters the receipt amount into the cash receipts module of the City’s software, which generates a two-part receipt with the receipt number assigned by the software. The Police Department is not given a receipt. The white copy is disregarded. The yellow copy is retained on file in the Finance Department.

At the end of the day, a utility report detailing water, sewer and garbage receipts is generated. A separate report is also generated detailing all other revenues. The daily reports are printed and placed in a binder in the finance department. Three separate two part deposit slips are prepared and balanced with the reports: one for water and capital improvement revenues deposited into the City’s general account; one for county sewer revenues deposited into the sewer account; and one for all other revenue deposited into the City’s general account. The white copy of the deposit slip is sent to the bank and the yellow copy is retained in the deposit slip book for tracking purposes.

The Director of Finance takes the deposits to bank in a cloth money bag and waits for the deposit to be counted and the bank to validate a copy of the deposit slip. Occasionally, the Central Cashier will make the daily bank deposit when the Director of Finance is unable to or is away from the municipal building. The bank validated deposit slips are attached to the duplicate deposit slip for the appropriate bank account in the deposit slip books. The deposit slip books are retained in chronological order in the finance department.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

The City of Campbell uses Software Solutions software to process its receipts. It is composed of the Financial Management System, the Utility Billing System, and the Central Cash Receipting System. The Financial Management System includes all revenue journals and ledgers for City. The Utility Billing System includes all customer billing information and postings to customer accounts. The Central Cash Receipting System is used to handle all cash receipts for the City.

Daily reports include a Central Cash Receipts By Receipt Number Report, a Central Cash Receipts By Batch Number Report, a Utility Billing Receipts Posting to Date Report and a Miscellaneous Receipts Reports. The Central Cash Receipts By Receipt Number Report and the Central Cash Receipts By Batch Number Report should tie to deposit slips in total. The Director of Finance prepares a spreadsheet which summarizes all daily cash postings. Those amounts are then compared to the amounts listed on the Central Cash Receipts By Batch Number Report, the Central Cash by Receipt Number Report and the Miscellaneous Cash Report. The three reports are placed into separate binders. Adjustments such as mispostings are handwritten on the Central Cash Receipts By Batch Report and the Central Cash Receipts By Receipt Number Report if the total does not agree with the Director's spreadsheet. Amounts which are posted incorrectly or not posted at all are provided to the Head Account Clerk to be corrected.

The City receives property tax settlements from the Mahoning County Auditor. The Director of Finance reviews the tax settlement sheets to determine the correct revenue and expenditure account codes and marks the check stub with a central cash code. He also prepares a spreadsheet to indicate the total amounts to record to each fund and account. The spreadsheet indicates the amounts necessary to record the revenue and expenditures at gross. From the spreadsheet, the Central Cashier posts the check amount. In order to balance the Central Cash Receipts System to the Bank, the Central Cashier uses the central cash codes from the spreadsheet to enter the tax settlement amounts by fund and account number at net. The difference between the gross and net amount is posted during the month by the Head Account Clerk. The Head Account Clerk posts the deductions as a memo receipt and memo expenditures through journal entries.

Wire transfers are processed the same way as all other receipts. Wire transfers are posted from the remittance advices provided by the payor. If there is a question regarding the fund to which it is posted or it needs to be allocated among more than one fund, it is directed to the Director of Finance for proper allocation. The Central Cashier takes the remittance advices provided by the payor or an internal form provided by the Director of Finance when there is no remittance advice, such as billing for water sold to AQUA Ohio, Inc., and inputs the information into the cash receipts module of the City's software, which generates the receipt and posts the information to the corresponding accounts.

The Central Cash Receipting System and Utility Billing System do not interface. Utility and all other revenues of the City are recorded through the Central Cash Receipting System. Utility payments recorded from the Central Cash Receipting System are posted by batch transfer to the general revenue journal in the Financial Management System. All other revenue is posted by batch from the Central Cash Receipting System to a revenue journal in the Financial Management System of the City's software when the batch is transferred by the Head Account Clerk. The Central Cashier posts the utility payment to the customer accounts in the Central Cash System. Utility payments are allocated to the various revenue accounts: water, sewer, trash, water capital improvement and sewer debt service based on predetermined allocations set up in the system when posted to the individual customer account. Utility payments are posted to the revenue journal line item when batches are transferred by the Head Account Clerk to the general ledger system.



## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

#### Income Tax and Income Tax Delinquencies:

The City levies a tax of two and one-half percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on the incomes of residents earned outside the City. The City allows a credit of 100 percent of the tax paid to another municipality up to a maximum of two and one half percent of the total earned income. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City. It is mandatory that all City residents and corporations file tax returns.

The annual income tax forms are mailed to City residents and businesses in January each year. The annual tax return is due by April 15<sup>th</sup>. A declaration of estimated taxes for the new year is included as part of the annual return. Estimated tax payments are due quarterly and statements are sent out April 1, June 1, September 1, and December 1.

Employers are required to remit employee withholdings quarterly. The quarterly forms are mailed to employers during the month of December and are due on the last day of the month following the end of each quarter.

The Regional Income Tax Agency (R.I.T.A.) collects the City's Income Tax and assists with the collection of delinquent accounts.

Semi-monthly, the City receives a distribution report, an EFT transfer and a report of the amounts collected from R.I.T.A (receipts are posted in the same manner as the property tax settlements). Income tax proceeds are allocated 90 percent to the general fund and 10 percent to the park fund.

Prior to the City contracting R.I.T.A. for income tax operations, the Director of Finance turned over a large number of delinquent accounts to a collection agency (Millstone and Kannensohn, Attorneys-at-Law). When the agency collects money, a check is sent to the City at the end of the month after deducting their fee and any costs advanced which are the out-of-pocket expenses incurred by the agency in attempts to collect (filing fees). The City posts the gross amount to the individual account and records the fees as expenditures. These accounts were turn over to the collection agency prior to contracting to RITA.

#### Utilities (Water and Sewer)

The Mayor determines and sets water rates. The Mahoning County Sanitary Engineer determines and sets the sewer rates. The Mahoning County Sanitary Engineer has increased sewer rates several times since September 2004. The City bills for water and sewer services monthly based on water consumption. Water meters are read with a hand-held computer during the first 20 days of the month. Data from the hand-held computer is uploaded into the utility billing system. A Meter Reading Report is printed and checked by the Account Clerk for any high or low customer usages based on the experience of the Account Clerk for what makes up a normal range for that customer. The normal range consists of the last several months of usage by the customer. A Trial Billing Report is printed after all readings have been entered and is reviewed by the Account Clerk for unusually large billing amounts to ensure all accounts are billed correctly. Utility bills are printed on postcards and mailed. A U/B Balance Report is printed that lists the amounts by accounts and the total amount billed by section for each of the three sections of the City.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

The utility billing accounts are updated daily for new accounts, service turn-ons, service turn offs, and customers moving in and out. The City requires customers to sign a water service form (Application for Water and Sewer Service) in order to have the account put in their name. If the customer is renting, the owner also signs the water service form and a Direct Billing Agreement Form to have the service billed in the tenant's name.

The utility bills are printed on the twentieth of the month for sections A and B and on the twenty-third for section C and mailed within one to three business days. Payments are due the fourth of the month, for sections A and B and the ninth of the month for section C. A ten percent late fee is assessed on payments made after the due date.

A delinquent water and sewer accounts report is run after the fourth and ninth of each month. A copy of the report is given to the Mayor. The delinquent report is used primarily to monitor the payments on the accounts and to prepare the shut-off list after the delinquency notices are mailed. Delinquency notices, including a shut off notice, are mailed the last week of the month to the customer and to the landlord of rental properties. The due date for delinquent payments is the sixth of the month. Delinquent accounts which have not been paid by the sixth of the month are put on a shut-off list. Accounts that have been turned off are required to make full payment in cash plus a \$30 reconnect fee prior to the service being restored.

New tenants are checked against the delinquent report to determine if a balance is owed the City from a previous home address. If a balance is found to be remaining from a previous address, this balance is required to be paid prior to turning on water at the new address.

Utility receipts are received through the mail, in person at the Central Cashier's desk or through a locked drop off payment box maintained outside of City hall. The Central Cashier posts the receipt to the Cash Receipting System, runs the stub from the bill through the imprint machine that prints the payment information on the stub. If a check is received, the check is also run through imprint machine.

On a daily basis, the Water Account Clerk posts the batch transfers from the Central Cash Receipting System to the utility accounts and prepares the deposit slips based on the U/B Receipt Posting To Date Report for the days receipts. A check listing generated by the computer system is printed and a copy is given to the Central Cashier for her records. The Central Cash Report by Batch or the Central Cash Report by Receipt number both indicates whether each receipt was made by cash or check. A daily report of collections is run and balanced to the deposit slips prior to making the deposit. The deposit slips along with the checks are then forwarded to the Finance Department. If a deposit is wrong and it is a City error, the correction is made the next day. If it is a bank error, the correction is made as soon as the bank researches the error and makes the correction. A recap for the day ("U/B Receipt Posting To Date") of the amounts collected and entered in the system is printed and given to the Director of Finance daily to match the amounts deposited to the bank on a daily basis.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

The “U/B Receipt Posting to Date” report is also used by the Director of Finance to monitor the amount of receipts collected for payment of water system improvement debt, which is recorded daily in a separate fund. The amount is billed on the utility bill and collected when utility bills are paid. The amount determined by the Director of Finance, approved by the Mayor is a fixed monthly charge per customer based on the amount needed for annual debt service requirement and to provide for additional water improvements. The receipts for the payment of debt are deposited daily to the separate bank account. The separate bank account is used to accumulate the amounts needed for payment of debt issues owed to the Ohio Water Development Authority and the Ohio Public Works Commission.

The Director of Finance takes the deposits to bank in a cloth money bag and waits for the deposit to be counted and for the bank to validate a copy of the deposit slips. Occasionally, the Central Cashier will make the daily bank deposit when the Director of Finance is unable to or is away from the municipal building. The bank validated deposit slips are attached to the duplicate deposit slip for the appropriate bank account in the deposit slip books. The deposit slip books are retained in chronological order in the finance department.

The City bills and collects the sewer charges for Mahoning County. Revenue collected on a daily basis is recorded in a separate agency fund and deposited into a separate bank account. By agreement between Mahoning County and the City, the City retains five percent of the total sewer revenue collected on behalf of Mahoning County. The Director of Finance prepares a report of total revenue collected during the quarter from the revenue report, calculates the City’s five percent fee, and the amount to be remitted to Mahoning County. The Director of Finance arranges with the bank branch manager to have an official bank check prepared for the amount due Mahoning County. The disbursement from the agency fund to Mahoning County and the City’s fee are recorded as a memo expenditure from the agency fund and a memo receipt to the general fund. The City’s fee is credited to the general fund.

#### Court Receipts – Clerk of Courts

The Campbell Municipal Court services the City of Campbell and Coitsville Township. All receipting, (fines, court costs, traffic waivers, bonds, civil fees, judgments, etc.) is done by bonded deputy clerks or the Clerk of Courts when a deputy clerk is unavailable. Payments are made with cash, money orders or a cashier’s check. No personal checks are accepted.

All cases filed with the Clerk of Courts’ office are date-stamped and entered into the computer system. If a payment or deposit is received, by mail or in person, a deputy clerk or the Clerk of Courts generates a System receipt. The System records simultaneously to both the docket and the cashbook screen.

When the case is a traffic or criminal offense requiring a court appearance, after the case has been completed, a deputy clerk or the Clerk of Courts enters the fines and costs to the costs screen. As partial or full payment is made, a receipt is generated and the proper entries (amounts, who, categories and case numbers) are posted to the docket and the cashbook. Money received is applied first to local costs, then to state costs and fines (set-up by the computer company according to the Ohio Revised Code).

For both traffic and criminal, if a defendant is indigent and a cash bond has been posted, depending on how much money there is to work with, the following procedure is used: local costs, percent of bond and fines. When the money is depleted, any balance remaining unpaid is suspended.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

Bonds posted at the Clerks' office are receipted, which creates docket entries to the bond file and cashbook and to the defendant's case file. When applying a bond, any amount over and above the fines/costs of the case is refunded to the defendant or transferred to another outstanding case. When any ten percent cash bond is posted at the Clerks' office, a ten percent bond fee is added to the case as local costs.

A bond may be sent to the Clerk of Courts' office that needs to be transferred to another court. When this occurs, a deputy clerk or the Clerk of Courts generates a receipt from the Miscellaneous Receipt screen and documents all the information necessary so the Clerk can issue a bond transfer to the appropriate agency. When a bond is to be refunded, the amount to be paid out is listed on the costs screen in the area marked as "sundry". Listing an amount in this field automatically brings up a check screen for the name and address of the party to be reimbursed. The Clerk of Courts or the deputy clerk checks these for accuracy before printing these refunds. Checks are issued manually.

When money is received on a wage attachment, either from an employer or a banking institution, it is receipted as a judgment. This money is disbursed to the appropriate party for each judgment. Money receipted in Rental Escrow is held as a deposit until it is either released by the plaintiff or by the Judge after a hearing is held. One percent of the total receipted is turned over to the City of Campbell as costs when the disbursement is made.

A deputy clerk or the Clerk of Courts is responsible for totaling the daily receipts. Daily cashbook reports are printed which shows a breakdown of the amount of money receipted (individual receipts have deputy/clerk initials). A Clerk or the Clerk of Courts fills out the bank deposit slips for each account. The money is locked in the safe overnight and then taken to the bank the next day by the Clerk of Courts or a deputy clerk.

#### Delinquencies – Municipal Court

In a criminal or traffic case, the final disposition determines the payment schedule, either through probation or a payment agreement. If a defendant isn't consistent with the ordered payments, a bench warrant is issued for the defendant and, in appropriate cases, the defendant's driver's license is suspended.

#### Parking Tickets

Outstanding parking tickets are maintained in a numerical file. As individuals come in to pay parking tickets, the court's copy is manually pulled, the money is collected and a receipt is given to the individual. The Municipal Court does not have procedures to monitor, track and collect fines due on outstanding parking tickets.

At the end of the month, the Clerk of Courts generates a monthly financial report for the Finance Department which shows the amount due to the City of Campbell, other local governments, as well as the State of Ohio. The Clerk of Courts also provides a reconciliation of the monthly activity to the Director of Finance.

#### Municipal Court Receipt Distribution

Checks are written by the Clerk of Courts to the City, State and other local governments, before the twelfth of the next month. The City receives the distribution by to the end of the month.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Revenue Activity

(Continued)

#### Auditor of State Comments

- The Finance Department does not prepare pay-ins for receipts received in the City, does not post receipts on a daily basis and the Police Chief is not given a receipt when he brings his receipts to the Finance Department. The City should prepare pay-in for all receipts, post receipts on a daily basis, and the Finance Department should issue and give a receipt for all receipts given to the Finance Department.
- The City does not follow the procedures outlines in Section 1901.026 of the Revised Code for the collection of the proportionate costs of the operations of the Municipal Court. The City should bill Coitsville Township for its share of costs for the operations of the Municipal Court.
- The Municipal Court does not have procedures to monitor, track and collect fines due on outstanding parking tickets. The Municipal Court should establish a parking bureau and put procedures in place to monitor, track and collect outstanding parking fines.
- The Clerk of Court writes monthly checks for distribution of monthly municipal court receipts around the twelfth of the month. The receipts to the City are not received until the end of the month. The Clerk of Court should remit the court receipts to the Finance Department shortly after the checks are written and not hold them until the end of the month.
- The Mayor determines and sets water rates. Under State Law, the service director is given the authority to set water rates. The City has not provided documentation such as a City Charter provision that allows the Mayor to set the water rates. The City Law Director should research and inform City officials as to who has the authority to set the water rates so that they are properly set.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

##### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchase of items should be in agreement with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds stating that the amount has been appropriated and is encumbered. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

##### Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer.

Blanket Certification of the Availability of Funds: The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond year end in an amount established by resolution of City Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate shall be outstanding at a time.

“Super” Blanket Certification of the Availability of Funds: The super blanket certification permits the fiscal officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained and provided by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the City Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the City.

Authority to Contract - Contracts are made by the City Council and executed in the name of the City by the Mayor and the Director of Finance, except as otherwise specified by statute.

Bidding - All contracts calling for expenditures in excess of \$15,000 (City charter limitation is \$1,000) shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the City if real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and consequently is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous fiscal year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the County Treasurer within thirty days of the date it is submitted.

#### Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services are made.”

#### Charter Requirements

Article V, Sections 5.04 provides that the Director of Administration may, within the amounts and items appropriated by Council, make purchases and enter into contracts on behalf of the City involving expenditures not in excess of \$1,000. No contract involving expenditures in excess of \$1,000 shall be entered into without prior approval of the Board of Control. The Board of Control for consideration and awarding of contracts shall consist of the Mayor, Director of Administration, Director of Finance and the Director of Law. All meetings of the Board of Control shall be open to the public. No purchase or contract involving an expenditure of more than \$1,000 shall be made except with a qualified, responsible bidder submitting the lowest and best bid as determined by the Board of Control after advertising for bids in a newspaper of general circulation within the municipality on two successive weeks. The decision of the Board of Control as to the qualifications and responsibility of the bidder shall be final, provided the Board of Control acts in good faith. The Board of Control may reserve the right to reject any and all bids. It is further provided, however, that the Board of Control may authorize contracts for personal services without advertising for bids and may authorize purchases or enter into contracts involving an expenditure of more than \$1,000 without advertising for bids if Council determines and declares by an affirmative vote of at least four members that an emergency exists, sets forth the nature of the emergency in its ordinance or resolution, and appropriates the necessary funds.



## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

#### Methods Used by the City

The City's purchasing procedures require that a material requisition form be prepared for all purchases and be approved by an appropriate official or department head. Each department is given a material requisition book. These books contain two-part pre-numbered material requisition forms. The purchase price is determined by contacting the vendor, choosing the best quote or bid or using past purchase records. The best quote or bid is chosen by the individual wanting to make the purchase or the department head prior to requesting the requisition. For the police, fire and the water departments, those providing required services, a moral obligation exists in the purchasing process. The moral obligation, as defined by the City, is one where there is imminent danger to life, limb or property. In emergency situations where items are needed, these departments may obtain items without completing the material requisition form. The Director of Finance may determine that the situation was not an emergency, at which time a then and now certificate would be issued for the purchase.

A vendor list is maintained by the Finance Department. For new vendors, individual department heads contact the vendors and gather all the required information. New vendors are added to the list as needed by the Finance Department. The new vendor is contacted by the Director of Finance for billing information after the material requisition form is completed. Remittance information is updated off of invoices from the vendors. The City does not ask for or receive the completed IRS Form W-9 from vendors.

The Finance Department provides new vendors with the City's tax exempt number, billing address and contact information as requested. For those vendors that do request, the information is provided either by telephone or through a fax. The information can be mailed if there are no time constraints. For those vendors who make no requests, the information is not provided.

Purchases under \$1,000 do not require quotes. Some department heads are receiving quotes on a purely voluntary basis. There is no set policy. Generally, the Director of Finance asks for two or three quotes from vendors if quotes are required.

When it has been determined that an item is needed, the originator fills out a material requisition form with the date, vendor name and address, item description, quantity, unit price, extended amounts, estimated shipping charges and fund and account numbers to be charged. It is then given to the department head for approval and signature. The estimated shipping charges are generally not included except by the certain departments that order the same materials and quantities consistently. When the information is excluded, the Director of Finance gives an estimate in his best opinion. Any material requisition form with incomplete information is returned to the originator.

After the appropriate department head approves and signs the material requisition form, it is walked over to the Finance Department. The Director of Finance verifies the availability of appropriations. If the appropriations are not available at the legal level of control, a supplemental appropriation ordinance is passed by Council. The material requisition form would normally be held, except in those cases where a moral obligation exists. At this time, the Director of Finance then checks the approved vendor against the State Data Base to ensure no findings for recovery have been levied against the vendor. For new vendors, the check is done immediately. For existing vendors, the Director of Finance periodically checks. All material requisition forms, for any amount, have to be approved by the Director of Finance. In the absence of the Director of Finance, the Head Account Clerk has the authority to give verbal approval until the Director of Finance can sign-off.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

Once the material requisition form has all the correct approvals, the Head Account Clerk inputs all information into the accounting system to generate the three part purchase order. The purchase order is assigned a number by the computer. The purchase order is rarely sent to the vendors. The purchase order distribution is as follows:

1. White – Original that is being thrown away.
2. Yellow – The material requisition form is attached and it is filed alphabetically in the Finance Department by vendor and later matched to the invoice for payment.
3. Pink – Sent back to the department of origination.

Normally, once the purchase order has been generated, the orders are called in by the department heads or the Director of Finance. The orders are either delivered or an individual from a specific department is sent to pick up the order.

Then and now certificates are used by the City only when items have been purchased before a material requisition form is approved and purchase order issued. The City does not use super blanket purchase orders. Blanket purchase orders are used for the purchase of salt, water chemicals and street patching materials.

Bids go through the Board of Control which consists of the Mayor, Director of Finance and the Director of Law. At the date of bid openings, a list of vendors and bid amounts is created. The Board of Control meets and discusses the bids. Generally, the Mayor and the Director of Finance will make comments about the prices/amounts and any prior dealings or projects/contract performances from first hand knowledge or inquiry made of others. Based on the comments and discussions, a recommendation based on lowest and best bid criteria is made.

The Clerk of Council/Mayor's Secretary sends the company awarded the bid a notification and a contract is drawn. The bid bonds of the unsuccessful bidders are returned along with a letter notifying them of the successful bidder. The Clerk of Council/Mayor's Secretary sends the contract to the Director of Law for review and then the company is sent three copies of the contract and City income tax forms to be completed and returned to the Finance Department. The successful bidder returns the three signed copies which are signed by the Director of Finance and the Mayor. The Head Account Clerk creates the purchase order from the Finance Department's copy and files the purchase order. The Director of Finance retains copies of the contracts for repetitive purchases. Contracts for single purchases are retained with the purchase orders.

The Municipal Court for the City of Campbell does not follow any guidelines for purchasing. The Clerk of Court purchase items, sends the bill to the Director of Finance and expects payment to be rendered.

#### Auditor of State Comments

- Material requisition forms are sent after a purchase has already been made. They are submitted without a date and without identifying the fund and appropriation account, the appropriation account code, the goods or services being purchased, quantities, unit prices and extended amounts. The material requisition form should be dated, prepared with all the required necessary information on it and approved prior to making the purchase.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

- The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor. Purchase orders should be generated and approved before goods or services are ordered. Purchase orders are not used for all expenditures. Purchase orders must have 5705.41(D), Revised Code Certification.
- The City does not bill all purchases and contracts over \$1,000 as stated in the Charter. The City should comply with its City Charter and bid all purchases over \$1,000 or amend the Charter.
- The City should not issue purchase orders to a vendor until all appropriate information about the vendor is received including an IRS Form W-9 and the finance director has approved the use of the new vendor. Vendor approval should be based on a City policy.
- The City does not utilize the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24, Revised Code, prohibits any state agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.
- The City does not have a formal purchasing policy, and purchasing procedures for the City are not documented. A purchasing policy for the City should be developed, presented to City Council for approval and distributed to all departments. Purchasing procedures should be documented and adhered to by all departments including the Municipal Court.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Disbursements

##### Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the City. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Director of Finance and a determination whether there is adequate cash in the fund to pay the obligation. All warrants should be signed by the Director of Finance and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

##### Statutory Requirements

State law places the following requirements on the disbursements of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund it is drawn upon.

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the City may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

##### Administrative Code Requirement

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

##### Methods Used by the City

The Head Account Clerk and the Central Cashier perform the disbursement functions, except for determining the invoices to pay. The Director of Finance has been assisting while the staff has been catching up on their monthly postings and determining what procedures need to be implemented and how to allocate the various duties.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Disbursements

(Continued)

All invoices are mailed to the Finance Department. The goods or services provided are delivered to the appropriate departments. The items and quantities on the packing list are compared to the material requisition form kept by the individual departments. The packing list is initialed by the person receiving the goods and may or may not be sent to the finance department. When the invoice arrives in the finance department, if the packing slip has not been sent to the finance department, the Director of Finance contacts the appropriate department for the receiving documents. If all goods or services were received, the Director of Finance signs or initials and gives the invoice to the Head Account Clerk for processing.

Faxed or photocopied invoices for payment are not accepted. Payments are only made from original invoices. If a faxed or photocopied invoice is received by the Director of Finance, the Department Head responsible is notified and required to request an original invoice by mail.

The Accounts Payable Clerk is responsible for matching the items and preparing the voucher packets. Matching is done on a daily basis as purchase orders are printed.

Receiving slips and purchased orders waiting to be matched to the invoice are placed in a separate alphabetical vendor file known as the “receiving slip waiting invoice” by receiving slip date and number in the filing cabinet drawers in the Head Account Clerk’s office. All invoices waiting payment are maintained in a separate vendor file known as “invoice waiting payment” by invoice date and number in the filing cabinet drawers in the Head Account Clerk’s office.

Once all approvals have been made, a voucher packet is put together. The voucher packet includes:

- 1) Invoice with department head signature and stating “OK” to pay.
- 2) Receiving slip with signature of the City employee receiving the goods or service.
- 3) The purchase order, signed and indicating each fund and account that is being charged and at what amount, or have an attached sheet indicating the allocation.
- 4) After the check is printed, the yellow check copy, that indicates the fund and account that is being charged and at what amount, is attached to the voucher packet. For telephone, pager, gas, electric, hospitalization and PERS a standard spreadsheet is used to do the allocation based on the number of phones, pagers and employees per department.

All voucher packets are completed prior to creating the check. After the check is printed, the yellow check copy is stapled to the voucher packet and is filed by check number in the office filing cabinets. All packets are kept in file folders with as many packets as will readily fit each folder, in order to protect the documents. All packets are filed in the Finance Department by the Head Account Clerk within two to three days of mailing the checks out.

The Head Account Clerk files the accounts payable documents in the accounts payable files. Matching is done on a daily basis as purchase orders are printed.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Disbursements

(Continued)

If the City is required to void a check, the original check is marked void in the center. The signature area on the lower right hand corner of the check is cut out. The image of the original checks is filed with the monthly bank statements in the Finance Department. The yellow copy is marked void in the center and filed in numeric sequence in the voucher packets.

All checks are accounted for each month during the reconciliation process.

The Clerk of Courts authorizes disbursements without the Director of Finance's certification.

#### Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation. Disbursements should not be made from a fund with an insufficient cash balance.
- The Clerk of Courts authorizes disbursement without the Director of Finance's signed certificate that the amount required to meet the obligation has been lawfully appropriated and is in the Treasury. The Clerk of Court should request approval to purchase an item or service through the Finance Department before the actual acquisition or obligation of the item or service.
- The City should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for invoices exceeding the purchase order/fiscal officer certification of funds and the use of "Then and Now" certifications. The document should be kept on file in the Director of Finance's office.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Payroll Processing

##### Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employees. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorized pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

##### Charter Requirements

Article B, Section 5.03 states that Council shall have the power to fix the compensation of its members, that of the Mayor, that of all employees of the City whether classified or unclassified, and that of the members of any board or commission. The compensation of the Mayor and of each member of the Council shall be fixed at least thirty days prior to the filing date of petitions for nominations for the terms beginning on the next succeeding first of December, and shall not be changed during the term of office or any part thereof.

The Mayor shall recommend the salaries of the Director of Administration, the Director of Finance and the Director of Law commensurate with the training, experience and time required to perform the duties, of the persons he intends to appoint to this position; however, such salaries shall require affirmative votes of at least three members of Council on motions of the Council to approve such appointments and such salaries.

The Council may authorize the payment or reimbursement of expenses incurred by any office, employee or member of any board or commission of the City for travel, membership in an association or otherwise in the interest of the City.

##### Methods Used by the City

All full and part time employees are compensated biweekly except the City's elected officials (Mayor, Council, Municipal Judge and Law Director) and the Civil Service Commission who are paid twice monthly and once annually, respectively. 43 full time employees and 15 part time employees are paid bi-weekly. The pay period begins on Sunday and ends on Saturday two weeks later. Pay checks are distributed on the following Friday. Elected Officials are paid on the fifteenth and thirtieth of each month. All employees are paid in accordance with the City's pay ordinance or bargaining contracts. Employees receive an earnings statement with each pay that indicates gross and net pay, withholdings (year-to-date and for the pay period) and leave usage during the pay period and leave balances as of the end of the pay period.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

Personnel files are kept in the Finance Department. The files contain forms for tax information, benefit information, direct deposit information, voluntary deductions, wage information, position information, hire date and any other information the City chooses to retain about the employee. The employee record in the City's accounting software also contains the information kept in the Finance Department. The employee record is updated by the Personnel Computer Operator in the Finance Department when an employee submits new forms.

Employees do not fill out time sheets. Time worked and leave time is documented by their respective department head. Except for the police and fire departments, the department heads record the time on the payroll summary sheet and submits it to the Director of Finance at the end of each pay period. Police department employees use a Daily Patrol Log and a Daily Work Schedule sheet to document hours worked and leave taken. They also use have a radio call sheet that can be used to track information provided on the patrol log by each officer. Fire department employees use a Daily Log Book which shows the shift, truck number and who was working during that time period. Employees turn in leave requests for time not worked. Upon receipt of the payroll summary sheet, the Director of Finance manually totals each sheet for the type of hours to be paid, signs and dates the report and gives it to the Computer Operator to process.

Non-Bargaining Unit Employees - City Ordinance establishes the rates and ranges of pay for all positions, vacation accruals, and benefit packages for all employees not covered under a union contract. Sick leave accrual is established by Ohio Revise Code.

Bargaining Unit Employees - The City of Campbell's bargaining unit employees are associated with three negotiated agreements as follows:

Street and Water Plant - The non-administrative street and water distribution employees' salaries and benefits are governed by a negotiated agreement between the City of Campbell and the Campbell Organization of Public Employees Local 4200. The contract covers the period of January 1, 2004 to December 31, 2006. The contract contains detailed information pertaining to compensation, fringe benefits, absences and leave accruals.

Police Sergeants, Patrolmen, and Dispatchers - The police sergeant, patrolmen, and dispatcher's salaries and benefits are governed by a negotiated agreement between the City of Campbell and the Fraternal Order of Police, Ohio Labor Council, Inc. The contract covers the period of January 1, 2004 to December 31, 2006. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. Police Sergeants are eligible to earn overtime compensation.

Fire Fighters - The fire fighters salaries and benefits are governed by a negotiated agreement between the City of Campbell and the International Association of Fire Fighters, Local 2998, AFL-CIO. The contract covers the period of January 1, 2004 to December 31, 2007. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals.

Elected Officials - City Ordinance 2003-9476 establishes the rates and ranges of pay for the Council and Mayor. The Mayor is paid \$10,000 annually. The Council members are paid \$3,600, annually. The President of Council is paid \$4,000, annually. The Mayor's and Council's salaries are paid bi-monthly.



## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

Overtime and Compensatory Leave - Employees work overtime in all the departments at the discretion of the department head. Department heads do not qualify for overtime pay. The overtime rate paid is time and a half. Compensatory time is earned in place of paid overtime at time and a half for all eligible employees. The payroll summary sheet shows the days worked, the hours of overtime worked and the amount of compensatory time earned. The overtime budget is discussed by the Director of Finance, the Mayor and the respective department heads, to try and keep overtime within budget.

Leave - Vacation, personal and sick leave is credited to each employee at the appropriate accrual rates indicated in the negotiated agreement or City Ordinance. Annual accruals are credited to each individual after the first pay period in January. The payroll system computes all leave balances and prints them on the employee's pay stub. If the employee uses more leave time than the employee has available, the employee is not paid for the hours taken off. A uniform leave form does not exist for City department use. Some departments do not use any type of leave forms.

Payroll Deductions - Payroll, tax and retirement forms are distributed to each new employee to be completed and returned to the Finance Department. The Finance Department enters the employee's demographic and salary information into computer. The Finance Department creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

Payroll deductions for OPERS, Ohio Police and Fire Pension System and Medicare are processed through the payroll system. After the last pay period in each month, a report is run for OPERS and the Ohio Police and Fire Pension System to determine the employer's share for each retirement system. The OPERS report and payment are due the thirtieth of the following month and the Ohio Police and Fire Pension System report is due the thirtieth of the month following the last month of the quarter. Employee contributions for OPERS and the Ohio Police and Fire Pension System are due monthly.

Payroll Processing - Payroll sheets are due to the Director of Finance by Tuesday of the week following the last day of the pay period. The payroll sheet has a list of employee names and provides information for each employee by payroll account code, the regular hours worked, overtime hours worked and vacation, sick, holiday and personal hours used. The Computer Operator checks the mathematical accuracy on the payroll sheet and enters the regular hours worked, leave taken, overtime hours worked (if paid) and compensatory hours earned (if overtime is not paid) from the Payroll sheets into the City's payroll software in batches, by department. When a batch is entered, a Payroll Register Report is printed and is compared to the payroll sheets by the Payroll Clerk/Computer Operator.

On the Thursday of the pay week, the blank payroll checks are removed from the safe in the Finance Department where the checks are stored, are printed and a signature stamp is used by the Director of Finance. At the time the payroll checks are given to the Director of Finance to sign, a payroll report is also given showing the gross payroll for the pay period and all the payroll deductions by employee. Payroll checks are not put into envelopes. The printed and signed checks are kept in Finance Department until department heads pick them for distribution on Friday.

The gross payroll is paid from the payroll checking account. The bank automatically transfers amounts from the general checking account to the payroll checking account on a daily bases for the amount of pay checks cashed that day. The federal and state taxes are paid by electronic fund transfers from the bank supported by a physical check to account for the amounts in the City's software system.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

The federal and state tax checks are stamped void and the check number is used to reconcile to the bank statements in conjunction with the tax payment worksheets. Checks are printed each pay period for the remaining payroll deductions, such as OPERS, Ohio Police and Fire Pension, City taxes and child support garnishments and mailed to the appropriate vendors.

Deduction checks that are issued each pay and are accumulated for monthly invoice payment are kept in a clearly marked vendor file in the safe. Some employees have deductions every pay for insurance dues or supplemental insurance that are invoiced monthly. Bi-weekly deduction checks are matched to monthly invoices and are submitted for payment.

Retirement - When an employee wishes to retire, the City requires them to provide a resignation letter. The City receives various communications from the Ohio Public Employees Retirement System (OPERS) verifying that they are retiring under OPERS. OPERS is sent notification of the employee's last working day and payroll information. After the employee's last payroll information is entered into the City's computer software, an Employee Record is printed. The Employee Record shows the outstanding leave balances for sick, holiday and vacation. The leave balances along with employee name, retirement date, pay rate and longevity information are entered on the Severance Payment form for calculation by the Director of Finance. This form documents the severance amount owed to the retiring employee.

#### Auditor of State Comments

- The City does not have written procedures regarding the payroll process. The Director of Finance should document its payroll procedures and maintain them in the Finance office.
- The City does not use individual time sheets for each employee in all departments; therefore, employees are not signing or verifying anything that accounts for time worked. Each employee of the City should complete and sign a timesheet or time card demonstrating time worked for a pay period, and the timesheet should be submitted to the supervisor for approval.
- Payroll summary sheets are used by the Finance Department to process payroll. They are being submitted to the Director of Finance without any supporting documentation. Payroll summary sheets should be submitted with the employee's signed and approved timesheet to ensure that employees hours being paid are correct on the payroll summary sheet.
- The employee responsible for recording employees' hours in the Street department does not have a supervisor position and if absent has no backup. When the employee who prepares the payroll summary sheet is absent or on vacation no information is recorded until this employee returns to work. The payroll summary sheet in the Street Department should be completed by the supervisor.
- The payroll summary sheet does not provide adequate means to allocate employee's hours by fund in departments where employees perform duties that are allocable to more than one fund. The payroll summary sheet should be updated to include space for the allocation of hours by fund, department and object code.
- In various departments, City employees are using leave without filling out a leave request form. Leave forms should be completed by all employees, approved by their supervisor, and should be filed with the payroll records in the Finance Department.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

- Personnel files are not updated with current wages, positions and deduction authorization forms, and are not kept in a secure place in the Director of Finance's office. Personnel files should be updated to contain the most current information for all employees, and the files should be kept in a secured location.
- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.
- The City does not have payroll policy. The City should prepare a comprehensive payroll policy which should include leave accruals, overtime, vacation etc.

**City of Campbell – Mahoning County**

**Report on Accounting Methods**

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**Debt Administration**

**Description of an Effective Method of Debt Administration**

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution or ordinance authorizing the issuance of debt should be passed by the Council. The statute authorizing the issuance should be identified in the resolution or ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of Council and the Director of Finance. Debt proceeds should be received into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be received in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

**Statutory Requirements**

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

**Methods Used by the City**

The Director of Finance monitors debt and lease payments using a chart identifying the payee, description, fund and account number, periodic payment amounts and other information related to each issue.

The City’s outstanding long-term obligations are as follows:

Debt Issue	Interest Rate	Principal Remaning 12/31/06	Pledged Revenues
<b>OPWC Loans</b>			
OPWC Liberty Sewer Water Storage, 1994	0.00 %	\$587,011	Water Capital Improvement
OPWC Water System Improvement, 1999	0.00	<u>151,590</u>	Water Capital Improvement
<i>Total OPWC Loans</i>		<u>738,601</u>	
<b>OWDA Loans</b>			
OWDA Water Treatment Plant, 2000	5.16	<u>1,188,968</u>	Water Capital Improvement
<b>Local Government Note</b>			
Issued 3/18/05 - Maturing 12/1/2012	6.228	<u>599,066</u>	General
<b>Other</b>			
Police and Fire Pension Accrued Liability	N/A	582,478	General
Fire Truck Lease Purchase, 1997	5.99	<u>35,786</u>	General
<i>Total Other</i>		<u>618,264</u>	
<i>Total Debt</i>		<u><u>\$3,144,899</u></u>	

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Debt Administration

(Continued)

OPWC and the OWDA loans are paid from charges for service in the water fund. The local government note is paid from State local government distributions through the County in the general fund. The police and fire pension liability is paid from the general fund.

#### Auditor of State Comments

- Resolutions or ordinances were not available for any debt issues. When the City issues debt of any kind it should be approved by Council. The copy of the authorizing legislation should be kept with Council minutes and a copy should be contained in the Finance Department.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Capital Assets and Supplies Inventory

##### Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the City should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the City should be adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number, whether the item is leased, and current purchases and disposals. The purchase and disposal of an asset should be authorized by the Council, reported to and promptly recorded by the Director of Finance, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

Consumable materials and supplies include office supplies, gasoline, salt and wastewater chemicals. Inventories, where appropriate, should be monitored, controlled, and physical counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

##### Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

##### Methods Used by the City

The City does not have a capital asset or consumable inventory policy. The City completes a partial inventory of major assets and uses the information to update the insurance records. Major assets consists of large ticket items purchased by the City such as vehicles and computers.

##### Auditor of State Comments

- The City does not have written policies and procedures for accounting for capital assets. The City should prepare and adopt a comprehensive capital asset policy that should address such things as valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City should also prepare written capital asset procedures that includes documentation for each asset and prescribe how accountability will be maintained.
- The City does not have polices and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented and maintained in the office of the Director of Finance.

## **City of Campbell – Mahoning County**

### **Report on Accounting Methods**

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#### **Capital Assets and Supplies Inventory**

(Continued)

- The City does not maintain capital assets or inventory records. The City should acquire software and maintain or hire an appraisal firm to maintain accountability over its capital assets.
- The City does not perform an annual inventory of consumable supplies. The City should perform an annual inventory of consumable supplies as close to year end as possible to substantiate its inventory balance at December 31.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Management and Investing

##### Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

##### Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a city are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

Section 135.14(O)(1), Revised Code, state, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no Director of Finance or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Finance or governing board. The policy shall require that all entities conducting investment business with the Director of Finance or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, “if a written investment policy described in division (O)(1) of this section in not filed on behalf of the subdivision with the Auditor of State, the Director of Finance or governing board of that subdivision shall invest the subdivision’s interim moneys only in interim deposits pursuant to division (B)(3) of this section, no-loan money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section.”

Section 135.14 (O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a Director of Finance or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Director of Finance or governing board certifies, on a form prescribed by the Auditor of State, that the Director of Finance or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22, Revised Code, requires the Director of Finance to attend annual training programs of continuing education for directors of finance provided by the Treasurer of State.

Section 9.38, Revised Code, requires that monies received by the City is to be deposited on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of the monies received does not exceed \$1,000, the City shall deposit the monies on the next business day following the day of receipt, unless the City adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, and the monies are safeguarded until they are deposited.



## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Management and Investing

(Continued)

#### Methods as Described by the City

The City's treasury activities are the responsibility of the Director of Finance. The City has multiple accounts in multiple banks. The Mayor and Council members receive reconciliations on all the bank accounts to the City's fund balance on a monthly basis, after month-end processes are completed, from the Director of Finance.

First National Bank	General checking account.
First National Bank	Payroll clearance account.
First National Bank	Account for deposit of sewer charges.
First National Bank	Account for deposit of trash fees.
First National Bank	Interest bearing account for the OWDA and OPWC loan payments.
Sky Bank	Non-interest bearing account for the CDBG grant revenues.
National City Bank	CDBG revolving loan account.

The First National account serves as the primary bank account which receives all wire transfers and deposits of the City. Monthly transfers are made from this account to the payroll account. Checks are written against this account for City obligations.

The City receives copies of cancelled checks from First National Bank on a monthly basis for the accounts payable, payroll and sewer accounts. The City also receives cancelled checks from Sky Bank for CDBG.

The Director of Finance prepares the monthly bank reconciliation for all accounts. The various bank statements and reconciling documents are maintained by account, within the Director of Finance's office. Copies of the reconciliations are found in the Director of Finance's filing cabinet in the Finance Department.

The City has an off-the-books cash drawer located in the City Director of Finance's office. The money has been in the drawer since before the current Director of Finance took office and the drawer is not reconciled.

The Council has adopted legislation regarding the petty cash funds of the City. These monies do not appear on the monthly bank reconciliations.

The City maintains one investment on their books, a revolving loan with National City Bank. The City has a detailed investment policy. However, the policy does not address interest allocation and has not been signed or dated. This policy has not been filed with the Clerk of the Bureau.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Cash Management and Investing

(Continued)

#### Auditor of State Comments

- The City does not have written policies and procedures for petty cash and change funds. Written procedures should be developed for the petty cash and change funds which include the individual designated as the custodian of the cash and the custodian's duties and responsibilities.
- The City does not include the amount of petty cash and change funds maintained within City offices on the monthly reconciliations. The petty cash and change funds should be included on the City's monthly reconciliation.
- The City does not have a signed investment policy which addresses interest allocation, and it has not been filed with the State. The City's investment policy should be updated to address the allocation of interest. It should also be signed and filed with the State in accordance with Ohio Revised Code, Section 135.14(O)(1).

# City of Campbell – Mahoning County

## Report on Accounting Methods

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The fiscal officer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Director of Finance should prepare and publish within 150 days of year end financial statements prepared in accordance with generally accepted accounting principals (GAAP).

#### Statutory Requirements

Section 117.38, Revised Code, requires that an annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with the general accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

#### Administrative Code Requirements

Cities are required by Section 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

#### Methods Used by the City

The City filed a Cash Basis Annual Report for 2004 with the Auditor of State on September 21, 2005. A notice of completion was not published in the newspaper. The City opted to complete Other Comprehensive Basis of Accounting (OCBOA) financial statements for the year ended December 31, 2005. The City did request and received a filing extension for those financial statements to be filed by August 31, 2006. As of the date of this report, the annual report had not been filed with the Auditor of State.

The Director of Finance provides Council and the Mayor with the following monthly reports at some point during the month:

Cash Reconciliation: This report provides the reconciled bank account balances that equal the City's cash fund balances.

Cash Position: This report provides the beginning fund balance, receipts, disbursements, unexpended balance, outstanding encumbrances and ending fund balances for all funds.

Revenue Report: This report provides month-to-date and year-to-date receipts by category for all funds.

Expense Report: The report provides detailed annual appropriations, month-to-date and year-to-date expenses, encumbrances and the unencumbered fund balance for all funds.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Financial Reporting

(Continued)

The Director of Finance creates several revenue reports at the end of the month for distribution to City Council and other members of the administration and department heads. These reports include, but are not limited to:

- Statement of Cash Position – This report contain the beginning cash balance, year-to date revenue, year-to date expense, unexpended balances, outstanding encumbrances and ending balance.
- Revenue Report – This report contain the account number, account description, expected revenue, month-to-date revenue, year-to-date revenue, uncollected balance and percent collected.
- Expense Account Report W/MTD – This report contain the account number, account description, budget amount, month-to-date expense, year-to-date expense, encumbrance and unencumbered balance.
- Cash Reconciliation – This report provides the reconciled bank account balances to the City’s fund balances.

#### Auditor of State Comments

- In accordance with Section 117.38, Revised Code, the City should file its financial statements prepared in accordance with general accepted accounting principles (GAAP) with the Auditor of State within one hundred and fifty days after the close of the year. At the time the report is filed with the Auditor of State, the Director of Finance must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The City does not file GAAP financial statements.

The City should publish in a local newspaper that the financial report is available for public inspection at the office of the fiscal officer. The public notice may read as follows:

The (name of the annual financial report) of the City of Campbell for the year ended (date) has been completed and is available for public inspection in the office of the (name of fiscal office and address) between (office hours). A copy of the report can be provided upon request.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Recording Official Proceedings

##### Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or by-law should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or by-law, the yeas and nays should be entered into the minutes and the ordinance, resolution, or by-law, should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

##### Statutory Requirements

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.24, Ohio Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Council Clerk and kept open for public inspection for ten days. Each ordinance, resolution or bylaw is required to be adopted or passed by separate vote of Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions or bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks.

Sections 705.84 of the Ohio Revised Code requires that the Board of Control have stated meetings at least twice a week; keep a record of its proceedings; take its votes by yeas and nays, which votes shall be entered on the record; and adopt any motion or order only by a majority of the vote of all members of the board.

##### Charter Requirements

Article II, section 2.06 provides that Council shall require the Clerk of Council to provide a minimum of thirty copies of the agenda and ordinances and resolutions to be considered at each meeting for the public attendance. Such copies shall be made available at a suitable location for pick-up by any person desiring to inform himself about Council's actions.

Article II, section 2.08 provides that every ordinance or resolution introduced in the Council shall bear the name or names of the person or persons sponsoring said ordinance or resolution appended thereto. An affirmative vote of at least three members of Council shall be required for the enactment of every ordinance or resolution, unless a larger number be required by the provisions of this Charter. On the passage of each ordinance or resolution the voting shall be by roll call and the vote of each member shall be recorded in the journal.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Recording Official Proceedings

(Continued)

Article II, section 2.11 provides that no resolution or ordinance shall be revised or amended unless the resolution or ordinance superseding it contains the entire resolution or ordinance so revised or amended, or the section or sections so revised or amended, and, having been revised or amended, the original resolution or ordinance, or section or sections, shall be considered to be repealed.

Article II, section 2.12 provides that each ordinance or resolution shall be authenticated by the signature of the Council President or other presiding officer, and the Clerk of Council. The failure or refusal of such officers to sign such ordinances or resolutions shall not invalidate an otherwise properly enacted ordinance or resolution.

#### Methods Used by the City

The Clerk of Council records and takes notes during the City Council meetings. From the notes, she prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, a summary of topics discussed, description of ordinances and resolutions and the votes thereon, and other upcoming events. The minutes do not include resolution or ordinance numbers, and do not reference reports, handouts or other materials handed out at the Council meeting. The minutes are approved and signed and dated at the next council meeting. Typed minutes are bound and maintained in large black binders. Resolutions and Ordinances are kept in a separate book beside the minutes. The handouts, reports, and packets provided at the Council meeting are not maintained.

#### Auditor of State Comments

- Minutes do not include resolution or ordinance numbers, do not reference reports, handouts or other materials handed out. Handouts are not maintained with the minutes. The minutes are bound and put in a binder; however, the binder does not include an index.

Minutes should be typed on pre-numbered pages and should include an index when placed in binders. They should include the ordinance or resolution number and should reflect whether or not the ordinance or resolution passed or failed. The minutes should also include copies of reports, handouts, and packets provided to Council and should be referenced in, or incorporated as an attachment to, the minutes.

- Article II, section 2.06 provides that every ordinance or resolution introduced in the Council shall bear the name or names of the person or persons sponsoring the ordinance or resolution. Resolutions and ordinances should include of the name or names of the person sponsoring it.
- The minutes do not reflect discussions of each report or handouts provided or discussed. The City's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions.

## City of Campbell – Mahoning County

### Report on Accounting Methods

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#### Conclusion

The methods described and included in this report are based on our inquiries and discussions with the City of Campbell personnel and the related procedures documented from the City's Policy and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the City of Campbell are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

**City of Campbell – Mahoning County**

**Report on Accounting Methods**

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Mary Taylor, CPA  
Auditor of State

**CITY OF CAMPBELL**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2007**